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SIPDIS

DEPARTMENT ALSO FOR P AND INL FROM AMBASSADOR

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SUBJECT: WHY JANUARY 2006 IS DIFFERENT FROM JANUARY 2005 IN COLOMBIA

Classified By: Ambassador William B. Wood.
Reason 1.4 b and d.

Political

11. (C) President Uribe broke the political custom of decades by winning the right to run for re-election. But campaign dynamics are complicating some of his policies. Absent tragedy, we can look to four-and-a-half more years of partnership like the last three-and-a-half years. In the face of Uribe's more than 65 percent approval, opposition presidential candidates have only a small chance. If Uribe were not to win on the first round, as he did in 2002, it would be seen as a defeat.

12. (C) Less certain are the congressional elections in March, which will determine whether Uribe can push through many of the reforms left hanging by the failed referendum in 2003. There is no established practice of coattails, several different factions supporting Uribe oppose each other, and the Liberal Party under ex-president Gaviria seems to be focused more on an anti-Uribe campaign than a serious effort to advance their own candidates. Relations between Uribe and Gaviria have deteriorated dramatically. We can expect the disarray and divisiveness attendant on any hotly contested democratic election.

13. (C) One outcome may be a further weakening of the Liberal and Conservative Parties, whose machines have dominated Colombian politics since the mid-19th century, in favor of a broad center-right coalition under Uribe and a broad center-left coalition with the upstart Polo Democratico, which is aiming primarily to weaken the Liberals for the 2010 elections.

Drugs

14. (C) Drug eradication, seizures, air interdiction, arrest of money launderers, and extraditions all continued to set records.

15. (C) Aerial fumigation topped 140,000 hectares. We lost one U.S. contractor pilot to FARC ground fire, and three aircraft during the course of the year. The government asserts that it has passed 30,000 additional hectares in manual eradication, a high-cost, high-risk program that combines drug eradication with job creation, and finesses the bogus health and environmental controversies of aerial fumigation.

16. (C) We topped 225 metric tons of finished drugs seized in country. Much of this was attributable to a unique blend of DEA, ORA, Colombian military, and Colombian police cooperation.

17. (C) JIATF-South advises that the number of "suspicious" flights into Colombia -- no flight plan, short hop across the border, no clear departure or arrival point -- has been cut in half, many of them displaced to Venezuelan airspace.

18. (C) The government took effective control of two major money-laundering enterprises this year (Grajales and La Rebaja). Now we have a better idea how to shut down money laundering fronts, clean them out, and re-open them quickly so that legitimate employees don't lose work and we don't face the political costs of putting thousands of workers on the street.

19. (C) The Uribe Administration extradited its 300th Colombian national for narcotics trafficking this year, outstripping any other country. Equally important, through hard work here and by DOJ in Washington with local U.S. Attorneys, our operational extradition relationship with the MFA, the Ministry of Interior and Justice, and the Supreme Court is better than ever. But high-profile extradition cases arising out of the peace process will continue to test that relationship (see below).

¶10. (C) For the first time, U.S. figures indicate that, at a given level of purity, the street price of cocaine has increased by 19 percent and heroin by 30 percent, in spite of reduced demand. It is not clear how high the current operational level can eventually drive the price. Continued counter-drug efficiencies and accelerated shifting of counter-drug costs to the Colombians will be a priority in 2006. Absent different instructions, we will seek to maintain current level of effort, in order to find out just how far we can reduce Colombian drug production and trafficking at this level of resources, something not yet known.

¶11. (C) We also will continue to focus on better metrics. For interdiction, there is some double counting for both in-country seizures and for transit zone seizures; both we and the Colombians are trying to clean up those numbers. For eradication, for years the flagship metric has been "number of hectares eradicated," which has two problems: (1) problems of terrain, cloud cover, and drugger counter-measures make our measurements, the best in the world, still very imprecise, and (2) the focus on number of hectares diverts attention from the other production variables, soil productivity, number of plants per hectare, and productivity of each plant (i.e., the size and number of harvests per year, which depend on the maturity of the plants). The combination has led us at times to spray re-plantings -- small plants where the hectareage is large but the production small -- rather than smaller plots of mature coca plants (plants three times the size, with four harvests per year versus one or two). Better metrics would help us target our efforts better, in an environment of short resources, danger from ground fire, and political controversy. For instance, spraying in the national parks and other protected areas would attack areas with a higher concentration of mature, high production plants.

Terrorists

¶12. (C) Although a separate sub-heading in this message, for the FARC and the paramilitaries the distinction between counter-drug and counter-terror in Colombia is a distinction in name only. Counter-drug success hurts them as much as counter-terror success. Explicitly in the case of the paramilitaries, and substantively in the case of the FARC, there is now talk here of the "third generation": a drugger generation, following the early ideologues and the later military organizers. This relates directly to the peace process, which will be able to take older ideologues, current foot soldiers, and at least some of the militarists off the field. But many drugger-terrorists will try to use the process only to camouflage their activities or reduce the penalties they face, and will have to be rooted out by military, judicial, and police action.

¶13. (C) Since 2002, the military has grown from 158,000 to 260,000 personnel, and the police from 104,000 to 134,000. The combined Colombian military-police operating budget has grown from USDOLS 2.6 billion to a budgeted USDOLS 4.5 billion in 2006, to which U.S. assistance will add almost 9 percent.

¶14. (C) Colombian counter-terror operations continued at an unprecedented pace. The military and the police are going all-out to: (1) maintain the Plan Patriota offensive in south-central Colombia, (2) improve the defense of isolated rural communities, (3) go after high value targets, (4) fill in behind demobilizing paramilitaries, and (5) protect the elections. Unrelenting pressure for results by Uribe and new MOD Ospina on the police and military may be burning out the uniformed services, or at least creating distance between them and the senior civilian leadership. It is also putting pressure on us to divert more helicopters from counter-drug to counter-terror operations; shortage of Blackhawk helicopters is a daily problem.

¶15. (C) The Plan Patriota offensive kept the FARC under growing pressure. The FARC staged fewer attacks on population centers, but doubled the number of electrical towers blown up, increased the number of attacks on the oil pipelines, and caused more casualties in 2005 than the previous year, which may imply that government forces are stretched thin or that the FARC is picking its targets more carefully. Although there were better results against high value targets from all terrorist organizations this year, there continue to be serious problems with military organization, operational security, and the intelligence-planning-operation sequence. The government is expanding still further the police and military to cover demobilized areas. Although there have been a few attacks against politicians, for the most part the election campaign has been kept free of overt violence.

¶16. (C) The FARC, the only terrorist organization not

involved in at least some sort of peace process, is also making a maximum terror effort, which can be expected to continue through presidential elections. But they are weaker than before and on the defensive in many areas. At the same time, in spite of increased terrorist activity against rural communities, high profile targets, and the police and military, the FARC has been toying with the issue of humanitarian exchange of hostages. On January 1, 2006, the FARC published a declaration that they would not negotiate a hostage exchange with President Uribe. This makes clear that their interest in political maneuvers to complicate the election year are more important than their desire to win back some of their lost contact and prestige with international audiences and civil society.

17. (C) The three U.S. hostages will complete three years in captivity on February 13 and remain one of our highest priorities. President Uribe has repeatedly reassured us that there will be no deal for hostages that does not include our citizens.

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Peace Process with Paramilitaries and Maybe ELN
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18. (C) At year-end, some 14,000 paramilitaries have demobilized in the group demobilization program, in addition to almost 8,000 demobilized deserters from all terrorist organizations. The two-year debate on the Justice and Peace law governing the disarmament, demobilization, and reinsertion of the paramilitaries ended with signature of the law in July. The government's decision to delay the "justice" part of the law until after completion of the "peace" part -- demobilizations -- has complicated the picture. Demobilizations continued to produce reduced levels of violence and crime against civilians in every zone where they have occurred, but there is growing concern that FARC or unredeemed "third generation" paramilitaries will move into vacated drug fields.

19. (C) When, in August, the government transferred paramilitary/drug lord Don Berna to prison, the paramilitaries suspended demobilizations for two months. Although demobilizations are now back on track, the delay set back the deadline for all demobilizations until at least mid February. The episode demonstrated: (1) that the paramilitaries did not expect such harsh treatment under the law, (2) that the law is close to the edge of the achievable with the paramilitaries, and (3) that extradition to the U.S. has become the principal issue in the process.

20. (C) Government preparations for prosecution, reinsertion, and reparations remain embryonic. More than a half-dozen other countries are lending at least some level of assistance to the program, which enjoys endorsements of varying intensity from the EU, the OAS, the South American Council of Presidents, and others. Predictably, especially in an election year, complaints are already surfacing in the implementation of prosecution and reinsertion; we are raising these issues with the government and expect them to be a key theme in 2006.

21. (C) Starting in December, the government began direct "pre-talks" with the 40-year old ELN in Havana. Another round is scheduled for January 11. We are supporting the talks, from a distance. A peace process with the ELN would take another 4000 or so terrorists off the field, legitimize the process with the far-right paramilitaries, put more pressure on the hold-out FARC, and most importantly, end the hundreds of kidnappings attributed to the organization. Because the ELN has not traditionally been involved in narcotics trafficking, their extradition situation is different from that of the FARC or the paramilitaries, although as the ELN has become more dependent on the FARC they have also developed some drug activity. The FARC, which does not want to be the lone hold out, does not want all the government counter-terror effort focused exclusively on them, and finds the ELN operationally useful from time to time, is being unhelpful. Interestingly, violence between the ELN and the FARC intensified in December in the northern section of the country.

22. (C) The government is wary. The ELN has walked away from several major peace initiatives, including a major Mexican effort early in 2005. They profess to be in a hurry, so they can come out of the jungle and begin to "consult" with legitimate candidates during the elections, with an eye toward direct participation in the 2007 local elections. But they refuse to accept the Justice and Peace law that governs paramilitary demobilization; we are concerned that any further concession they get will have to be given to the paramilitaries too. Although a difficult issue, we hope that there will be major progress this year.

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Economics, Trade and Development
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123. (C) 2005 was a banner year. The government already is revising growth figures to reflect higher than predicted results in the second two quarters. Real GDP growth for the year will likely top 5 percent (3.8 percent was predicted) based on a wave of foreign and domestic investment, a dramatic increase in exports, greater optimism, and a reduced security threat and reduced related costs, all of which was spurred still further by the possibility of Uribe's re-election. Continued progress against terrorists would generate further growth among small businesses, which still face rampant extortion by one or another terror group. Anecdotally, we know of no major non-traditional exporter that is not expanding capacity.

124. (C) Rural development -- normal and alternative development -- continued to lag, in spite of more than \$68 million in U.S. aid, as a result of terrorism, confused and in some cases illicit ownership patterns, and a weak transportation infrastructure. But there were also bright spots as rural development in formerly drug-ridden Putumayo province made unexpected strides. For instance, a plant to process hearts of palm has created hundreds of jobs, linked this isolated region to the larger national market and, starting in February, will begin exporting to Europe.

125. (C) Production increases not only were reflected in improved profits, but also higher employment. Unemployment may fall to near 10 percent in the last quarter of 2005, compared to over 15 percent when Uribe took office. The drop is due to job creation, rather than people leaving the formal economy.

126. (C) All of this should have given Colombia a solid base on which to build the compromises necessary for a free trade agreement. But, as often occurs, potential losers complained loudly and potential winners remained quiet, leading the Uribe Administration to seek tailor-made concessions in agriculture and intellectual property against our advice. As the year closed with an agreement reached with Peru and none with Colombia, we believe the Colombian team has finally gotten the message and will resume talks in January ready to reach agreement. We urge Washington to help pocket their "yes" early. Once there is an agreed text, we expect the "winners" to begin work on ratification even during the election campaign.

Judicial, Social, and Humanitarian

127. (C) The first year of U.S.-style oral accusatory criminal trials was a resounding success. The process moves on from Bogota in 2005 to Medellin, Cali, and other jurisdictions in 2006, and then countrywide by 2008. There is already talk of extending the oral accusatory system beyond criminal cases. The Justice and Peace law for demobilization operates in an oral accusatory framework.

128. (C) Colombia continued to have the largest displaced population in the hemisphere and the third largest in the world, after Sudan and the Democratic Republic of the Congo. In addition to the vast human suffering, displacement has put a heavy burden on local government for public order and social services, has left the rural areas largely in the hands of terrorists and narcotics traffickers, and the troops who fight them, and inhibits rural development and extension of state authority countrywide. U.S. assistance programs provided \$31 to displaced families in 2005. Rising job opportunities are absorbing many displaced into the urban workforce, but has also put a heavy burden on urban police and social services. Unemployment is approaching 10 percent, from above 15 percent in 2002.

Human Rights

129. (C) According to the Gallup poll, 79 percent of respondents replied that "the Uribe Administration respects human rights," the highpoint for the administration. The clamor, especially in rural districts, overwhelmingly is for more government presence, not less. Nevertheless, building on the four-decade-long, pervasive four-front conflict with terrorists and narcotics traffickers, the tradition of accommodation, lack of accountability, do-it-yourself justice, and weak institutional presence by the government persisted in some areas.

130. (C) Human rights questions have frequently been linked to suspicions of government tolerance or collusion with brutal paramilitary operations or, following the recent massive demobilization of paramilitary "military" organizations, with concerns that paramilitaries abandoning the battlefield will be allowed to move into criminal activities or dirty politics. Although the latter would

produce the reduction in violence against civilians we have seen over the year or more, it also would spell continued trouble for Colombian democracy. The AUC does not command the national structure it once did, the government is keeping the pressure on, and the parties are openly debating how best to block paramilitary corruption in the elections. But we believe that, on a local basis, individual paramilitary blocs can influence individual elections. We are working the problem with the government.

131. (C) We are also working the individual cases that continue to complicate otherwise clear improvement in respect for human rights here. Recent cases relating to Cajamarca, Guitarilla, and Arauca are before the courts, and suspects remain in confinement. The very recent assassination case of Afro-Colombian activist Orlando Valencia is being investigated, but no arrests have yet been made. The recurring series of killings, accusations, and counter-accusations related to the "peace community" of San Jose de Apartado continues to defy all our efforts to get the community and the government together to pin down the facts.

Venezuela

132. (C) The Uribe Administration has no illusions about the Chavez Administration. It will continue to put counter-terror, counter-drug, open borders, and bilateral trade issues at the top of its list, and try to manage all other aspects of the relationship. Uribe remains convinced that Chavez came off second best in the confrontation over the hand-over of FARC leader Granda, but he also remains chastened by the success of Chavez' three-week border closure. This will mean that Colombia, already nervous at the perception that it is the "best" U.S. friend in the region, will continue to try to finesse some issues it should take head-on. It is not Uribe's style to publicly criticize Chavez. But he will defend his interests, and our interests, in private, and not shy away from difficult operational decisions. Uribe believes that Chavez, too, would prefer to work behind the scenes on areas of disagreement.

Others

133. (C) Uribe continues to believe in a constructive approach to his other neighbors. By and large he has confidence in their good intentions and he believes they are facing big problems, which he does not want to aggravate. He believes that Peru and Brazil (and Cuba) were helpful in reining in Chavez during the Granda affair, and even helped force stronger counter-terror promises from him. He will not reject regional support for his peace initiative with the ELN, even if from Cuba or Venezuela.

134. (C) Colombia is concerned by the election of Evo Morales, especially by the perception that the hemisphere has taken another step to the left. While recognizing Chavez' mischief in Bolivia, Uribe is not yet convinced that Morales will have the organization, will, or resources to create more than a diplomatic problem. He will play Bolivia one step at a time.

135. (C) Colombia is also concerned by apparent breakdown in Ecuador, which borders on the principal FARC stronghold and a key drug growing and transit corridor. He had a productive relationship with Gutierrez and is trying to have one with Palacio. Uribe doesn't want to rock the boat there, as exemplified by his agreement temporarily to suspend drug spray flights along the border and to consider the possibility of a UN report on the health and environmental effects of glyphosate, less than a month after he had ordered a maximum effort against coca in Narino province, on the border.

136. (C) With the departure of Toledo, Colombia fears that it will lose its best ally in the region. In addition to Peru's assistance as head of the Andean Group during the Granda affair, Colombia believes that Peru shares the experience of both a drug threat and a terror threat. They will be watching Peruvian elections closely.

137. (C) Like everyone else, Colombia is disappointed that Lula has not provided the rallying point for sensible reform that was hoped. But Brazil is too big and too important to Colombia to be dismissed. Although bilateral cooperation is friendly, Brazil has frequently played to NGO and European audiences to criticize Plan Colombia, Uribe's "Democratic Security" policy, and the peace process with the paramilitaries. The former ambassador here was identified with the center-left opposition to Uribe; the new guy may change that. Beyond that, the Mercosur vs. FTAA dynamic puts Colombia in a difficult position; they have tried to finesse the problem by being all things to all people but, in the

end, Uribe is staking Colombia's future on free trade with the U.S.

138. (C) Colombia is pleased that, at last, Europe seems to be listening. Led by the Dutch, Swedish, and British, European political and practical support for the paramilitary peace process is a breakthrough. The behavior of the European "facilitators" in the peace process with the ELN and in the budding discussions about humanitarian exchange of prisoners with the FARC will be an important litmus test; if the Europeans get ahead of the government here, there will be fireworks. Much will also depend on whether the Europeans at the Human Rights Commission in March listen to their ambassadors in Bogota or not; last year they listened instead to the head of the local UN Human Rights Office.

139. (C) Colombia has lost confidence in the UN, which it finds to be disorganized and contrary here in country, and unilateral in New York and Geneva. Colombia generally will try to keep its head down in UN forums, causing us some frustration. But Colombia has been of assistance regarding Iran as a new member of the IAEA Board of Governors.

Bilateral

140. (C) Bilateral relations are strong, with an occasional hiccup. As is often the case with others, the Colombians believe that we want a lot in exchange for our approximately USD 600 million in assistance. But they also believe that we want the best for them and that our importunings are often just "tough love." They have been frustrated in several areas:

--- that our strategic alliance was unable to get them special consideration in the free trade negotiations; they

understand our problems there, but only sort of;

--- that we have been unable to provide more assistance in their most critical military need, Blackhawk helicopters; again, they understand our needs in Iraq and Afghanistan, but find it hard to believe that U.S. production capabilities are limited;

--- that our law enforcement goals preclude any tactical flexibility on extradition for those participating in the peace process or for major narcotics traffickers who want to turn themselves in; they want to use extradition as the ultimate sanction for failure to comply with the peace process, and help us get traffickers to the U.S. as part of a negotiated deal for less than full prosecution; and

--- that we have been unable to provide more assistance to the reinsertion program for paramilitaries, at a time when even the Europeans are signing on.

141. (C) In addition to our overarching counter-drug and counter-terror goals, we have a number of specific challenges ahead: to free our hostages, to improve implementation of the Justice and Peace demobilization law, to protect the extradition relationship, to resolve the outstanding human rights cases and fix the system so they don't recur, to agree and then get ratified and implemented a free trade agreement, to help address the tragic humanitarian situation, and to support Colombia in a way that enhances its pro-U.S. influence in the hemisphere. Stay tuned.

WOOD